



**NTEU**  
**The National Treasury Employees Union**

**STATEMENT OF**

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**TO THE**

**COMMITTEE ON GOVERNMENTAL AFFAIRS**

**HONORABLE WILLIAM V. ROTH, JR.  
CHAIRMAN**

**CIVIL SERVICE PENSION REFORM  
ACT OF 1985 (S.1527)**

**U.S. SENATE  
WASHINGTON, D.C.  
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Mr. Chairman, Members of the Committee, I am Robert M. Tobias, President of the National Treasury Employees Union. The National Treasury Employees Union is the exclusive representative of over 120,000 Federal employees in a variety of departments and agencies.

We appreciate this opportunity to testify on S. 1527 which represents the most concrete proposal to date to deal with a Civil Service Retirement Plan for Federal employees who become covered by social security as a result of the Social Security Amendments of 1983.

I first want to commend the Chairman and members of the Committee for the professional, intelligent and prudent manner in which you have approached this complex and difficult task. The research, studies, and legislative drafting work completed by this committee stand in sharp contrast to the haphazard myopic manner in which this Administration has tried to advance changes in the current civil service retirement system, make proposals for this retirement plan and propose changes in other areas involving the pay, benefits and working conditions of Federal employees. Throughout this administration, matters concerning the pay and benefits of Federal employees have been discussed, opinions formed and decisions reached in politically charged forums. Fast action and expedient measures designed to help alleviate budget problems have taken precedence over a more rational approach to substantive change in these areas.

In the short time remaining in this session of the Congress to consider S. 1527, we hope the consideration and debate necessary to shape this retirement plan will continue to focus on the substance of this complex subject and not become a political numbers game with dollars for deficit reduction becoming the sole determinate of what this retirement plan will be. We will eagerly work with the committee first to ensure that a retirement plan is enacted before January, 1986, and second that the plan enacted is fair, equitable and rationale.

In considering this complex legislation, we strongly believe that certain goals and objectives should be established.

Should our goal for retirement be one of enabling those in retirement to maintain their preretirement standard of living; merely meet basic needs; or something in between? We believe the goal should be that of maintaining their preretirement standard of living.

The President's Commission on Pension Salary in 1981 estimated that the average income replacement that is needed to maintain a preretirement standard of living for a single person ranged from 79 percent for the minimum wage earned to 51 percent for the highest income person. The range for married couples was 86 percent to 55 percent.

Social Security does not provide sufficient income at any level to maintain preretirement living standards. It is not intended to. As a social insurance program, its goal is to provide a floor of income protection.

The employer's-- in this case the Government-retirement program is crucial if adequate income is to be provided for maintaining a reasonable standard of living in retirement.

Coupled with the goal of maintaining a preretirement standard of living, we also believe that retirement benefits should be formally recognized as deferred compensation, earned by the employee during their working career. The objective should be to provide legal recognition of this and guarantee that the benefits provided and promised at the time of employment will not be subsequently taken away. This point is particularly noteworthy as one of the purposes of S. 1527 is ". . .to provide Federal employees with a retirement benefits plan which is comparable to good private sector retirement benefits plans . . ." (emphasis added). Federal employees are understandably skeptical of such a Congressional statement of purpose if in reality their retirement benefits plan will be subject to the same whimsical, petty pick-pocket ploy this Administration has seen fit to inflict on the Government's pay system. Abandonment of the pay comparability principle and not guaranteeing a level of retirement benefits at the time of employment will have a devastating long-range negative impact on the recruitment and retention of a competent, professionally responsible workforce.

We believe that another objective of the Government's retirement plan should be to provide benefits that will attract and retain quality employees thereby providing

the incentive for the development of a well trained, highly competent and dedicated career service. Anything short of this objective will only encourage mobility and a high rate of turnover with disastrous results.

S. 1527 provides the basic elements for a sound, effective retirement benefits plan; however, there are some basic provisions that we believe need to be considered in order to assure a sound retirement policy and be equitable with the current retirement system for Federal employees.

The new plan should, in conjunction with Social Security, provide a level of benefits as close as possible to those under the present system. The level of benefits under S.1527 would be substantially different than those received by employees covered under the current system. The defined benefit plan plus social security will provide benefits that, depending on salary, will be 5% to 34% less than the current system. For retirement at age 55 with 30 years service, the benefits will be 57% less than the current system. Even at age 60 with 30 years service; the benefits will be from 3% to 9% less than the current system. Under the proposed plan, employees would have to participate in the capital accumulation plan in order to meet minimum adequate income replacement and security needs. We believe that the benefits from a capital accumulation plan should be at the employee's option to increase their retirement standard of living or for other purposes and not be calculated as part of what is necessary to maintain retirement income security. Those who cannot afford or do not want to participate in a thrift plan

should not be penalized. I should also note on this point that present income tax advantage and future retirement income security cannot be presumed by those who participate in the thrift plan if this Administration continues to push for and is successful in striking down the tax status of these deferred income plans.

The new plan should also provide for an unreduced benefit at age 55 with 30 or more years of service. A reduction of 2% for each year under age 62 flies in the face of sound personnel management and recent trends in private sector employment. It also creates an intolerable situation of two employees working side by side doing similar kinds of work yet receiving vastly different benefits. Retirement with dignity and security after 30 years of service is justly deserved and indeed should be encouraged to maintain a workforce.

The defined benefit plan in S. 1527 provides benefits based on years of service and salary and would merely be added to the Social Security benefits. As an "add-on" plan, it ignores the effect of the "tilt" in Social Security benefiting lower wage earners and shorter career workers. For example, the basic pension plus Social Security for an employee at age 62 with 30 years service and a final salary of \$15,000 would replace 50% of salary, if the final salary is \$45,000 it would replace only 40% of salary. "Offset" and "step rate" methods of integration with Social Security are found most commonly in the private sector to balance the "tilt". The step rate method formula is designed in a way

that a different percentage would be applied to various levels of pay. A given percent would apply to pay up to a certain amount and a higher percent to pay above that amount. ERISA and IRS regulations do not permit private sector plans to completely offset Social Security benefits. While the regulations are not applicable to the Federal Government, we believe that as a matter of public policy they should be followed in the designs of this new plan. Thus, only half of the Social Security "tilt" could be offset. This still would leave a difference in income replacement rates between the lower paid and higher paid employees. However, these differences would only be about half the level they would be under the add-on method presently in S.1527.

There are two other basic issues in S.1527 that require serious consideration before an overall plan can be fully considered: the salary base used to compute benefits, and protection of retirement income from inflation.

First, we believe that the proposed computation rate of one percent per year of service based on the high-5 average salary produces a benefit that is equitable only for an employee making less than \$20,000 a year. Employees earning more will have considerably less salary replacement. A slightly higher accrual rate based on the present high-3 average salary will be more equitable particularly for employees earning in the \$20,000 to \$30,000 salary range.

Second, we believe that the COLA policy should automatically follow whatever policy Congress sets for Social

Security. Reducing each CPI increase by 2% as proposed by S.1527 merely compounds the erosion of the purchasing power of the annuity the longer the annuitant receives benefits. And it will become more difficult to maintain a level standard of living.

Finally, Mr. Chairman we would like to comment specifically on the proposed new sections 8401(17) and 8411(c) relating to retirement of law enforcement officers and firefighters.

The development of a new retirement plan provides an opportunity for Congress to clarify and correct certain problems and inconsistencies that exist in the current law and at the same time, provide for similar treatment of employees engaged in similar work under the new law.

The provision concerning coverage of law enforcement officers was initially enacted in 1947. It was primarily written to cover FBI agents. It was amended five times between 1947 and 1974 to cover certain other occupational groups.

As a result, the broad occupations category of the position occupied became paramount rather than the actual requirements and duties of the positions occupied.

The duties and responsibilities of both customs inspectors and IRS revenue officers more than meet the criteria established for coverage under the special provisions for law enforcement officers coverage.

However, because of one word in the current law, they have been denied these benefits. Their positions are not considered as primarily the investigation, apprehension, or detention of individuals suspected or convicted of offenses against criminal laws of the United States.

Yet by every other measure, these positions require the same degree of law enforcement background and exposure to hazards as other policy type functions which do qualify.

Customs inspectors today, for instance, are making an increasing number of arrests and are not allowed to perform inspector duties until qualified in firearms. Kidnaping, murder, and assaults are an ever-present danger in both professions.

More and more Customs inspectors are working on special enforcement teams doing undercover investigatory work with special agents, Drug Enforcement Agency personnel and local law enforcement groups to stop the increasing flow of drugs into this county.

Similarly, IRS revenue officers are exposed to an ever increasing number of life-threatening situations in the course of their normal duties. Assaults against IRS employees increased from 531 in 1983 to 789 in 1984, a 50-percent increase.

In addition to these incidents, there are several well-financed groups around the country who advocate organized violence against IRS employees. Excluding these organizational categories is not only unfair to this group of

employees but prevents the Government as employer from maintaining a young and vigorous work force in this vital area of law enforcement.

In summary, Mr. Chairman, there are several issues to consider before this new retirement plan can be enacted. S.1527 provides a solid basis and a conceptually sound framework within which I believe we can work to enact a retirement plan this year. We will do all we can in working with you to enact a plan that is fair and equitable to Federal employees and the government for which they work.

I will be happy to answer any questions you may have.